



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**May 6, 2008**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

#### **FIRST NATIONAL BANK IN OKEENE**

Charter Number 10913

124 North Main Street  
Okeene, Oklahoma 73763

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**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## **INSTITUTION'S CRA RATING**

### **This institution is rated Satisfactory**

The major factors that support this rating include:

- The bank's lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area.
- The loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.
- The bank generates a majority of its loans within the defined assessment area.
- The bank meets the standard for satisfactory performance for lending to borrowers of different incomes and to farms and businesses of different sizes.
- The bank has not received any consumer complaints regarding Community Reinvestment Act (CRA) performance.

The First National Bank in Okeene, Oklahoma (FNB) is committed to serving the community. This is demonstrated by satisfactory lending performance as described in this Public Evaluation.

## DESCRIPTION OF INSTITUTION

The First National Bank (FNB) in Okeene is a community bank headquartered in Okeene, Oklahoma. FNB is wholly-owned by the two-bank holding company, Grace Investment Company, Inc. of Alva, Oklahoma. The bank is affiliated by common ownership with Alva State Bank in Alva, Oklahoma. FNB operates a single full service bank and drive-in facility at 124 North Main Street in Okeene. No branch locations have been opened or closed since the previous Community Reinvestment Act (CRA) evaluation.

The bank's primary focus is to serve the agricultural community in Okeene and the surrounding areas in Blaine and Major Counties. FNB meets the needs of the local community by providing various loan and deposit products and other financial services.

As of March 31, 2008, the bank's total assets equaled \$68.2 million, of which \$22.4 million, or 32.84 percent, were comprised of various types of loans to small farms, businesses, and individuals. Specifically, the bank's loan portfolio consists of the following:

Loan Category	\$ (000)	%
Agricultural Loans	18,718	83.58%
Commercial Loans	3,253	14.53%
Consumer Loans	271	1.21%
Residential Real Estate Loans	153	0.68%
<b>Total</b>	<b>22,395</b>	100.00%

There are no legal or financial impediments to prevent FNB from meeting the credit needs of the assessment area. FNB is involved in and provides support to the community's financial needs and is highly dependent on loan customers in the wheat and cattle markets. FNB received an overall rating of Satisfactory at the previous CRA Examination, dated February 2, 2004.

## DESCRIPTION OF ASSESSMENT AREA

The assessment area adopted by FNB meets the requirements of the CRA regulation. The assessment area consists of whole geographies, does not reflect illegal discrimination, and does not arbitrarily exclude low- or moderate-income geographies.

The assessment area is described as three census tracts located in Northwest Oklahoma, which include census tracts #9586 and #9588 in Blaine County and census tract #9551 in Major County. FNB is located in census tract #9586 in Blaine County. All three census tracts are identified as middle income tracts. FNB chose to exclude census tract #9589 in Blaine County, which includes the city limits of Watonga, because the area is serviced by other financial institutions. FNB also chose to exclude census tracts #9552 and #9553 in Major County, which includes the city of Fairview, because the area is serviced by two financial institutions and a local branch of a third financial institution. The following table describes demographic and economic characteristics of the assessment area, based on the 2000 United States Census data:

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF ASSESSMENT AREA</b>	
<i>Population</i>	
Number of Families	1,724
Number of Households	2,349
<i>Geographies</i>	
Number of Census Tracts	3
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	0%
% Middle-Income Census Tracts	100%
% Upper-Income Census Tracts	0%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$38,213
2006 HUD-Adjusted MFI	\$42,600
<i>Economic Indicators</i>	
2000 Median Housing Value	\$49,655
% of Households Below Poverty Level	14%

The assessment area has a total population of 5,880 persons. Although there are no low- or moderate-income census tracts in the assessment area, there are low- and moderate-income families in the assessment area. Of the 1,724 families, sixteen percent are low-income families and seventeen percent are moderate-income families. Of the 2,349 households, sixty-eight percent derive their income from wages or salaries. Households below the poverty level total 322, or fourteen percent and households that receive public assistance total 110, or five percent of the total number of households. The median housing value is \$49,655 and the median age of housing is 43 years old. The unemployment rate for the assessment area is one percent.

The local economic conditions are stable. The economy continues to depend on the agricultural industry, local area businesses, and the public school system. The major employers in the area include the United States Gypsum Plant; the Okeene Annex and Hospital; Mountain Country Foods (dog biscuit manufacturers); and, the Okeene Public School System. FNB's major competitor is a local financial institution, the State Guaranty Bank in Okeene.

A community contact was made during the evaluation to help ascertain the credit needs of the assessment area. According to the contact, the immediate credit needs of the community are being fulfilled. The main financial need in the area is for agricultural loans. The need for consumer loans is minimal. FNB is involved in community development activities and programs in the area. The community contact commended FNB for always "bending over backwards" to help the community.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

This Performance Evaluation assesses FNB's performance focusing primarily on five performance criteria: the loan-to-deposit ratio; lending in the assessment area; lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and, responses to CRA related complaints. Because FNB's assessment area does not include any low or moderate income census tracts, a geographic distribution of the bank's loans within the assessment area would not be meaningful and was not performed.

To evaluate FNB's lending performance, a random sample of 56 loans was reviewed. Major loan products offered by the bank were sampled and consisted of 30 agricultural loans and 26 consumer loans originated since January 1, 2006. The demand for consumer loans in the area is very low; therefore, the consumer review was limited to only 32 customers. Based on the analysis and consistent with available resources and capabilities, FNB is meeting the credit needs of the assessment area in a satisfactory manner.

### Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio is reasonable and meets the standard for satisfactory performance. The bank's LTD ratio fluctuates due to the seasonal agricultural lending. The average quarterly LTD ratio from December 31, 2003 through December 31, 2007 is 54 percent. The average quarterly LTD ratio for the 23 banks chartered in Blaine, Major, Kingfisher, Garfield, Dewey, Alfalfa, and Custer Counties in Oklahoma range from a low of 33 percent to a high of 107 percent. The quarterly average LTD ratios for the four similarly situated banks in the area are listed in the table below.

Institution	Assets as of 12/31/2007 \$ (000)	Average LTD Ratio
<i>The First National Bank in Okeene</i>	<b>68,981</b>	<b>72.54%</b>
First State Bank in Watonga	52,367	42.91%
Cornerstone Bank in Watonga	71,864	48.35%
State Guaranty Bank in Okeene	31,021	46.57%
The Farmers & Merchants National Bank of Fairview	73,946	44.28%

### Lending in Assessment Area

FNB’s lending in their assessment area meets the standard for satisfactory performance. The majority of the loans are originated within the bank’s assessment area. This conclusion is based on the samples of 30 agricultural/small business loans and 26 consumer loans that originated from January 1, 2006 through May 7, 2008, as shown in following table.

Total Loans Reviewed										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Ag/Small Business	24	80.00%	6	20.00%	30	2,056	34.00%	3,992	66.00%	6,048
Consumer (Auto) Loans	20	76.92%	6	23.08%	26	202	76.11%	64	23.89%	266
Total Reviewed	44	78.38%	12	21.62%	56	2,258	35.77%	4,056	64.23%	6,314

Source: Sample of 56 loans used to determine CRA performance

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

FNB meets the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes. The following tables represent the distribution of lending based on the sample of 24 agricultural businesses/farm loans extended within the assessment area.

Borrower Distribution of Loans to Agricultural Businesses/Farms				
Agricultural Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Ag – Businesses	93.46%	1.87%	4.67%	100%
% of FNB Ag – Business Loans in AA by #	100%	0%	0%	100%
% of FNB Ag – Business Loans in AA by \$	100%	0%	0%	100%

Source: U.S. Census data and small agricultural businesses/farms loan sample

FNB’s loan distribution to small agricultural businesses/farms is excellent. The sample of agricultural loans revealed that all of the loans were extended to small businesses and farms with annual gross revenues of less than \$1 million per year.

<b>Borrower Distribution of Consumer Loans</b>								
<b>Borrower Income Level</b>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
	% of AA Households	% of Number of Loans						
Consumer Loans	19.50%	30.00%	14.35%	35.00%	19.20%	20.00%	46.96%	15.00%

*Source: U.S. Census data and consumer loan sample*

FNB’s distribution of consumer loans by income level is excellent. The number of consumer loans extended to low- and moderate-income borrowers exceeds the percentage of low- and moderate-income households represented in the assessment area.

### **Geographic Distribution of Loans**

An analysis of the geographic distribution of loans would not be meaningful since there are no low- or moderate-income census tracts in the assessment area.

### **Responses to Complaints**

FNB has not received any consumer complaints regarding the bank’s CRA performance in helping to meet assessment area needs during this evaluation period.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.